

## Message Text

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PAGE 01 TOKYO 05697 300718Z

17

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 IO-10 H-02 L-02 PRS-01

SP-02 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 /099 W

----- 103926

R 300627Z APR 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9793

INFO AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY JAKARTA

USMISSION OECD PARIS

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E.O. 11652 N/A

TAGS/ EAID, EFIN, ID, JA

SUBJECT: IGGI-17: US-JAPAN CONSULTATIONS

REF: STATE 092186

SUMMARY: EDMOND AND KATORI OF FONOFF DICUSSED FORTHCOMING IGGI. ACCORDING TO KATORI, FONOFF WOULD LIKE TO PLEDGE AT WHETHER USG WILL PLEDGE AND LEVEL OF USG AID WILL BE IMPORTANT FACTORS IN PERSUADING OTHER MININSRIES TO ACCEPT THIS POSITION. FONOFF DIES NOT ANTICIPATE INCREASE IN GOJ AID WOULD REACH ONE THRID OF TOTAL BILATERAL NON-FOOD AID (IF LATTER IS IN 250-350 MILLION DOLLAR RANGE), AND EXRESSED PREFERENCE THAT IGGI NOT TAKE PLEDGING SESSION FORMAT. EDMOND EXPRESSED HOPE GOJ WOULD DISCARD ONE THRID RULE SO THAT USG CONTRIBUTION AT LOWER LEVEL WOULD NOT RESULT IN LESS GOJ AID TO INDONESIA. END SUMMARY.

1. ON APRIL 28 DEPT ASST SECRETARY EDMOND MET WITH  
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PAGE 02 TOKYO 05697 300718Z

FONOFF REPS (KATORI, DIRECTOR GENERAL, ECONOMIC CO-

OPERATION BUREAU, AND WORKING LEVEL REPS FROM FIRST ECONOMIC COOPERATION DIVISION AND SECOND SOUTHEAST ASIA DIVISION) FOR INFORMAL EXCHANGE OF VIEWS ON IGGI AND AID TO INDONESIA. MAIN POINTS OF DISCUSSION WERE AS FOLLOWS:

2. KATORI SAID FONOFF VIEW, NOT YET DISCUSSED WITH OTHER MINISTRIES, IS THAT GOJ SHOULD BE PREPARED TO PLEDGE AT IGGI AND THAT "ONE-THIRD" OF TOTAL NON-FOOD BILATERAL AID SHOULD BE ADHERED TO. IN PERSUADING OTHER MINISTRIES TO ACCEPT THIS POSITION, WHETHER AND HOW MUCH USG WILL PLEDGE WILL BE IMPORTANT FACTORS. GOJ PLEDGE ON "ONE THIRD FORMULA" WILL NOT BE PRACTICAL WITHOUT SIMILAR USG PLEDGE. FONOFF DOES NOT ANTICIPATE INCREASE IN JAPAN'S ODA TO INDONESIA WITHIN IGGI THIS YEAR. FONOFF HOPES TO MAINTAIN NOMINAL AMOUNT OF LAST YEAR'S AID (41 BILLION YEN OR 140 MILLION DOLLARS AT 293 YEN/DOLLAR) BUT THIS, OF COURSE, WOULD MEAN DECREASE IN ODA IN REAL TERMS.

3. IN REPLY, EDMOND EXPLAINED THAT ALTHOUGH USG STILL IN PROCESS OF DEVELOPING ITS POSITION, IT ALREADY CLEAR THAT THIS YEAR WILL BE DIFFICULT ONE WITH RESPECT TO USG AID TO INDONESIA. EDMOND SAW NO POSSIBILITY OF USG AID ATTAINING LEVEL OF ONE THIRD OF TOTAL BILATERAL NON-FOOD AID (ASSUMING SUCH AID WOULD TOTAL 250-350 MILLION DOLLARS). AS RESULT THIS SITUATION, USG WOULD PREFER IGGI NOT BE PLEDGING SESSION, BUT IF INDONESIA STRONGLY WISHED PLEDGING SESSION AND OTHER MAJOR DONORS AGREED, HE PERSONALLY THOUGHT IT INADVISABLE TO OPPOSE. IN THE EVENT USG FEELS OBLIGED TO PLEDGE AT IGGI, THERE IS POSSIBILITY USG WILL BE ABLE TO PLEDGE SOME PL 480 NON-FOOD AID AS PART OF ITS CONTRIBUTION. ANY USG PLEDGE, HOWEVER, WOULD HAVE USUAL CAVEATS ABOUT APPROPRIATIONS AND AVAILABILITIES, AND EDMOND SAW NO REALISTIC POSSIBILITY THAT US PLEDGE WOULD BE HIGH ENOUGH TO EQUAL ONE THIRD OF AMOUNT ODA ASSISTANCE CONTEMPLATED BY IBRD. FOR THIS REASON, USG WOULD HOPE THAT FONOFF WILL PREVAIL ON OTHER MINISTRIES TO DISCARD "ONE THIRD RULE" LIMITED OFFICIAL USE

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PAGE 03 TOKYO 05697 300718Z

SO THAT USG CONTRIBUTION AT LOWER LEVEL WOULD NOT RESULT IN LESS GOJ AID TO INDONESIA.

4. IN RESPONSE TO KATORI'S QUESTION RE USG VIEWS OF SEMI-CONCESSIONAL AID, WHICH WOULD INCLUDE US EXIM BANK CREDITS, EDMOND STRESSED THAT EXIM NOT AID GIVING INSTITUTION (BUT RATHER EXPORT PROMOTION BODY) AND THAT USG NOT ABLE TO PLEDGE EXIM CREDITS

IN AID CONSORTIUM CONTEXT; EXIM IS REQUIRED TO EXAMINE EACH PROPOSAL ON ITS MERITS AND GRANT OR DENY LIMITATIONS ON USG WITH RESPECT TO EXIM CREDITS. EVEN THOUGHT PLEDGE OF EXIM CREDITS NOT POSSIBLE, IT NOT TOO DIFFICULT TO IMAGINE EXIM CONTINUING TO PROVIDE CREDITS TO INDONESIA, IN SUPPORT OF APPROPRIATE PROJECTS, AS PROPOSALS ARE PUT FORWARD BY INDONESIANS. IN RESPONSE, KATORI SAID FONOFF ALSO STUDYING QUESTION OF PLEDGING JAPAN EXIM CREDITS AT IGGI BUT, SIMILARLY TO USG SITUATION, WOULD FIND SUCH PLEDGING TECHNICALLY DIFFICULT.

5. RE OTHER DONOR GOVERNMENTS'S POSITIONS, KATORI SAID FONOFF UNDERSTANDING IS THAT DUTCH WILL MAINTAIN OR INCREASE THEIR ODA BUT DOUBT THEY WILL PROVIDE EXPORT CREDITS IN IGGI FRAMEWORK; AUSTRALIANS WILL INCREASE THEIR ODA PLEDGE TO 120 MILLION DOLLARS OVER THREE YEARS, BUT FEEL SEMI-SOFT LOANS NOT JUSTIFIABLE; FRENCH PREFER EXPORT CREDITS TO ODA; NEW ZEALANDERS HAVE NOT CHANGED THEIR POSITION; AND GERMANY IS AWAITING IBRD REPORT BEFORE FINALIZING ITS POSITION.

5. EDMOND AND KATORI AGREED TO MEET IN AMSTERDAM PRIOR TO IGGI FOR FINAL EXCHANGE OF VIEWS.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
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